

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Norwood Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: February 10, 2023

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY23 (since the amount under the prior schedule was maintained in FY23) and is acceptable under Chapter 32.

The schedule reflects a reduction in the investment return assumption from 7.6% to 7.25% and a revision to the fully generational mortality assumption. Also, the schedule reflects an increase in the COLA base from \$14,000 to \$15,000.

As part of this valuation, the Board adopted several assumptions that are more conservative than the assumptions used in the prior valuation. The unfunded actuarial liability increased (UAL) by more than \$23 million using these conservative assumptions over the prior assumptions. As a result, this schedule completes the amortization of the UAL in FY38 (6 years later than under the prior schedule). Although this is allowable, our recommendation for almost 10 years has been for systems to establish funding schedules that complete the amortization of the UAL by FY35 at the latest. This allows systems some flexibility in the event of another market downturn. Only 18 systems have amortization schedules that extend beyond FY35 and most of these complete the amortization by FY36. We do not believe the FY35 date would be attainable in this schedule without significant adjustments to the schedule. However, the Board should consider adopting a funding schedule that completes the amortization of the UAL by FY35 over the next few years.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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Enc.



Funding Schedule 1
 7.25% investment return assumption
 Unfunded liability amortized in payments increasing 4.00% per year
 Fully funded by June 30, 2038

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of Remaining Unfunded Liability	(6) Actuarially Determined Contribution (ADC): (2)+(3)+(4)+(5)	(7) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(8) Percent Increase in Actuarially Determined Contribution
2023	\$883,930	\$182,208	\$20,786	\$5,115,621	\$6,202,545	\$65,259,524	--
2024	915,246	189,497	21,618	5,320,246	6,446,607	64,286,625	3.93%
2025	947,626	197,077	22,482	5,533,056	6,700,241	63,015,021	3.93%
2026	981,107	204,960	23,382	5,754,378	6,963,827	61,413,930	3.93%
2027	1,015,724	213,158	24,317	5,984,553	7,237,752	59,449,973	3.93%
2028	1,051,514	221,684	25,290	6,223,935	7,522,423	57,086,971	0.52%
2029	1,088,516	0	0	6,472,893	7,561,409	54,285,726	3.93%
2030	1,126,772	0	0	6,731,808	7,858,580	51,279,263	3.93%
2031	1,166,322	0	0	7,001,081	8,167,403	47,777,145	3.93%
2032	1,207,207	0	0	7,281,124	8,488,331	43,732,329	3.93%
2033	1,249,474	0	0	7,572,369	8,821,843	39,093,917	3.93%
2034	1,293,165	0	0	7,875,263	9,168,428	33,806,860	3.93%
2035	1,338,329	0	0	8,190,274	9,528,603	27,811,638	3.93%
2036	1,385,014	0	0	8,517,885	9,902,899	21,043,913	3.93%
2037	1,433,269	0	0	8,858,600	10,291,869	13,434,165	3.93%
2038	1,483,147	0	0	4,907,297	6,390,444	4,907,297	-37.91%
2039	1,534,700	0	0	0	1,534,700	0	-75.98%